

## Message Text

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PAGE 01 STATE 030402  
ORIGIN ARA-14

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R 040752Z PEB 78  
FM SECSTATE WASHDC  
TO AMEMBASSY BRASILIA  
INFO AMCONSUL RIO DE JANEIRO  
AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: BPRO, BR

SUBJECT: BURLINGTON INDUSTRIES INVESTMENT IN BRAZIL

1. EDWARD MACK, EXECUTIVE VICE-PRESIDENT OF BURLINGTON INDUSTRIES (BI), DAVID BROOME, BURLINGTON DIRECTOR OF GOVERNMENT RELATIONS, AND ALFRED POLLARD OF SEN. ROBERT MORGAN'S OFFICE, CALLED ON ARA/ECA SEEKING ASSISTANCE IN BURLINGTON'S ATTEMPTS TO ARRANGE A JOINT VENTURE IN BRAZIL.

2. BURLINGTON PREVIOUSLY HAD BEGUN A JOINT VENTURE WITH UNIAO DE EMPRESAS BRASILEIRAS, S.A., (UEB). THE FAILURE OF UEB HAS BLOCKED BURLINGTON'S EFFORTS TO CONTINUE WITH A NEW JOINT VENTURE PARTNER.

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3. BURLINGTON BELIEVES IT HAS REACHED AN IMPASSE IN ITS NEGOTIATIONS WITH UEB'S CHIEF, JOSE LUIZ MOREIRA DE SOUZA, WHO REFUSES TO SELL HIS 60 PERCENT INTEREST IN SERIDO, A JOINTLY-OWNED TEXTILE MILL IN NATAL WHICH IS THE SUBJECT OF THE VENTURE. LAW SUITS HAVE BEEN FILED IN BRAZILIAN COURTS BY BOTH BI AND UEB.

4. BURLINGTON HAS APPROACHED THE USG BECAUSE IT

BELIEVES THAT POLITICAL CONSIDERATIONS ARE CAUSING THE GOB TO SUBSIDIZE SERIDO, WHOSE \$600,000 MONTHLY LOSSES WOULD OTHERWISE SOON FORCE IT INTO BANKRUPTCY AND LIQUIDATION. BI BELIEVES THAT THE POLITICAL CONSIDERATIONS ARE NOT ONLY RELATED TO THE LOSS OF 1200 JOBS IN THE NORTHEAST, BUT TO A SCANDAL CONCERNING THE APPROXIMATELY \$350 MILLION BURLINGTON BELIEVES UEB OWES THE GOB.

4. BURLINGTON VICE PRESIDENT MACK HAS ALREADY DISCUSSED THE PROBLEM WITH MINISTERS SIMONSEN AND REIS VELLOSO, AS WELL AS WITH OFFICIALS OF BNDE AND SUDENE, AND CONSUL GENERAL DEXTER. FORMER TREASURY SECRETARY SIMON WILL DISCUSS THE ISSUE ON BI'S BEHALF WITH SIMONSEN ON FEBRUARY 6. BURLINGTON WILL CONTINUE TO PUSH ON A NUMBER OF FRONTS, EITHER FOR RETURN OF ITS INVESTMENT OR FOR THE REPLACEMENT OF UEB BY ANOTHER BRAZILIAN INVESTOR. BURLINGTON CLAIMS TO HAVE THREE POTENTIAL BRAZILIAN BUYERS LINED UP. ALSO, BI EMPHASIZES THAT IT WISHES TO RETAIN AND ENLARGE ITS INVESTMENT IN BRAZIL, AND THAT REORGANIZATION OF THE SERIDO PLANT WOULD RESULT IN MORE JOBS AND EXPORTS FOR THE NORTHEAST. IT BELIEVES THAT AN EXPRESSION OF USG INTEREST IN THIS PROBLEM THROUGH WHATEVER CHANNELS THE EMBASSY BELIEVES APPROPRIATE LIMITED OFFICIAL USE

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WOULD BE HELPFUL AT THIS JUNCTURE. WE ADVISED BURLINGTON THAT USG REPRESENTATIONS COULD BE COUNTERPRODUCTIVE, ESPECIALLY SINCE UEB HAS ACCUSED BI OF ECONOMIC IMPERIALISM IN AN EXTENSIVE PRESS CAMPAIGN. WE WISH TO BE RESPONSIVE, HOWEVER, TO BURLINGTON'S REQUEST FOR HELP TO THE EXTENT EMBASSY AND CONGENS BELIEVE APPROPRIATE.

5. BURLINGTON'S REPRESENTATIVE IN BRAZIL IS ROBERTO NAUEMBERG, BURLINGTON ADMINISTRADORA LTDA, RIO, TELEPHONE 224-3734; ITS LAWYER IS DR. LOBO OF LAMY, LOBO, AND IBEAS, RIO TELEPHONE 246-3683.

6. A NARRATIVE HISTORY OF BURLINGTON'S DEALINGS WITH UEB LEFT BY BURLINGTON REPS WILL BE POUCHED TO BRASILIA AND RIO. VANCE

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NNN

\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

## Message Attributes

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**Review Markings:**  
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